

**FINAL REPORT
OF THE
INTERIM STUDY COMMITTEE
ON
STATE ADMINISTRATION ISSUES**



**Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789**

November, 2000

Interim Study Committee on State Administration Issues

Membership Roster

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Shelburn**

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**Chuck Mayfield
Fiscal Analyst**

**Robert Rudolph
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A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at <http://www.state.in.us/legislative/>.

FINAL REPORT

Interim Study Committee on State Administration Issues

I. LEGISLATIVE COUNCIL DIRECTIVE

The Legislative Council directed the Committee to do the following:

- A. Evaluate the need for continuing education requirements for occupations and professions regulated by the Professional Licensing Agency.
- B. Study the possibility of requiring not less than one-half of certain continuing education requirements to be earned from long distance learning.
- C. Study issues of predatory lending.
- D. Study the impact of the federal AIR21act on Indiana airports, including the need for additional appropriations to and staffing for the aeronautics section of the Indiana Department of Transportation.
- E. Study the hiring practices, salary structure, and other employment practices of state agencies.

II. INTRODUCTION AND REASONS FOR STUDY

- A. Continuing Education Requirements for Occupations and Professions Regulated by the Professional Licensing Agency

The Legislative Council directed the Committee to study this topic. The Committee received testimony from the Professional Licensing Agency and the affected professional organizations. The Committee discovered that no association was requesting a change in the continuing education requirements.

- B. Requiring Not Less than one-half of Certain Continuing Education Requirements to be Earned from Long Distance Learning

The study is based on SCR 63. The Committee decided that the phrase “requiring not less than one-half of certain continuing education requirements to be earned from long distance learning” should be reworded to the more permissive language “allowing not less than one-half of certain continuing education requirements to be earned from long distance learning.”

- C. Predatory Lending

The study is based on HR 89. The Committee discovered that predatory lending is an undefined term in Indiana Statutes and several state agencies have some regulatory

responsibility over related areas of the Indiana Code.

D. Federal AIR21act

The Legislative Council directed the Committee to study the topic. The Committee received testimony from the Department of Transportation and aviation associations. The Committee discovered that while no additional funding may be needed for the 2001-2003 biennium, additional funding will be needed to match federal funds in future biennia. The Department may also need additional personnel to administer the increased number of grants resulting from the federal AIR21act.

E. Hiring Practices, Salary Structure, and Other Employment Practices of State Agencies

The study of hiring practices, salary structure, and other employment practices of state agencies is based on Senate Bill 388. The Committee received testimony from the Department of Personnel, and employee unions and associations.

III. SUMMARY OF WORK PROGRAM

The Committee met five times and heard testimony from numerous witnesses who are listed at the end of the Report. During the first three meetings, the Committee received testimony. During the fourth, the committee discussed the topics and reviewed bill drafts. The Committee approved the Final Report at the last meeting.

At its August 16 meeting the Committee received testimony on:

- A. The need of continuing education requirements for occupations and professions regulated by Professional Licensing Agency,
- B. Allowing not less than one-half of certain continuing education requirements to be earned from long distance learning, and
- C. Predatory lending issues.

At its September 5 meeting the Committee received testimony on:

- A. Continuing education requirements by occupations not represented at its first meeting on August 16,
- B. Impact of increased federal funding for Indiana airports, and
- C. Hiring practices, salary structures, and other employment practices of state agencies.

At its September 28 meeting the Committee received additional testimony on:

- A. Predatory lending issues,
- B. Professional Licensing issues, and

- C. Hiring practices, salary structures, and other employment practices of state agencies.

At the fourth meeting on October 11 the Committee discussed possible recommendations and findings.

At the fifth meeting, held on October 24, the Committee approved the final report.

IV. SUMMARY OF TESTIMONY

A. Continuing Education for Occupations and Professions Regulated by the Professional Licensing Agency:

Ms. Kim Tarnacki, Deputy Director of the Professional Licensing Agency, provided background information on her agency. They serve 13 professional boards; six of the occupations have continuing education requirements for license renewal. Her agency audits about 1% of the license renewal requests to verify compliance. They find about 4% of the individuals audited cannot provide the necessary documentation to validate the renewal license issuance. Continuing education requirements and licensure renewal periods are set by statute and vary by occupation. Ms. Tarnacki provided information on the number of licenses, revenue generated, and expenditures by her agency.

Mr. Gary Bollinger of the Indiana Certified Public Accountants Association explained the continuing education requirements for accountants. Accountants are required to earn 120 hours of credit over four years.

Ms. Candy Knight of the National Cosmetology Association of Indiana discussed the continuing education requirements for cosmetologists. Cosmetologists are required to earn 16 hours of credit over a four year period. Continuing education is needed because of the chemicals cosmetologists use.

Mr. Dick Nichols of the Indiana Professional Appraisers told the Committee that the 28-hour continuing education requirement for appraisers is considered to be a necessary requirement with other states.

Mr. Brian Vaughan of the Funeral Directors Association told the Committee that continuing education is needed to stay current with state and federal laws. Approximately 27 states have no continuing education requirements. He stated that the 10-hour requirement is currently adequate, but may need to be increased in the future.

Mr. Karl Berron of the Indiana Association of Realtors stated that continuing education is needed because of changes in federal and state laws on sales disclosure and client representation. The home is the bulk of a family's assets and is generally the family's largest purchase so it is important they be represented by an informed realtor.

Mr. Bob Adams of the Indiana Auctioneer's Association stated that 15 states license auctioneers. He described the requirements to become a licensed auctioneer and discussed the auctioneers' role in livestock, Internet, and real estate auctions.

Ms. Carolyn Elliott, representing the Funeral Directors Association, explained that no change in current law is necessary to address Rep. Mangus's concern of a former funeral director's ability to meet and greet people at the funeral home. Current law allows former directors to perform meet and greet services.

B. Continuing Education through Distance Learning

Senator Johnson discussed the status of technology to provide continuing education. The state has connected each county in the state to the state's computer network.

Mr. Brian Vaughan of the Indiana Funeral Directors' Association told the Committee that his association supports distance learning.

Mr. Bob Adams of the Indiana Auctioneers' Association described how this association uses the Indiana Higher Education Telecommunication System to provide distance learning.

Mr. Jerry Quigley, the Director of the Professional Licensing Board, explained that his agency has not approved distance learning courses but he has seen a presentation.

Mr. Ron Wuensch representing the Indiana Optometric Association testified that two years ago Rep. Charlie Brown chaired a committee that studied the issue of limiting distance learning for the medical professions. The clinical setting for continuing education is very important for the medical professions.

C. Predatory Lending

Ms. Kathy Muller of the HOPE Homeownership Center in Evansville told the Committee about her experiences with mortgage lending in Evansville.

Ms. Lu Porter of the Best Practices Committee in Evansville described her committee's work.

Mr. Mark Raiterman a real estate appraiser told the Committee that 90-95% of appraisers do a good job, but he has reported a dozen appraisers to the Professional Licensing Agency for improper conduct.

Mr. Tom Dinwiddie of the Mortgage Bankers Association testified that predatory lending practices are included in a number of improper lending practice statutes. He provided the Committee with a list of six statutes that would apply.

Mr. Gregory Thomas of the State Attorney General's Office explained that more

coordination is needed between state agencies to address the problem of predatory lending.

Mr. Steve Johnson of the Prosecuting Attorney's Council testified that predatory lending might violate state statutes on fraud, forgery, theft, or deception depending on the individual circumstances. He stated that these types of crime may be difficult to investigate.

Mr. Louie Mahern, Executive Director of the Consumer Finance Association, suggested the term be "predatory borrowing or fraud in connection with mortgage lending".

D. Impact of the Federal AIR21act on Indiana Airports

Ms. Maria Muia from the Aeronautics Section of the Indiana Department of Transportation described the federal airport grants administered by her agency. The amount of federal money is expected to increase from about \$6 million to \$12.4 million. Additional funding for the 2001-2003 biennium is not being requested at this time, but the state may have to increase funding later.

Mr. Bill Blake of the Aircraft Owners' and Pilots' Association supported adequate state funding for aviation. He stated that the aeronautics section may need 2 or 3 additional people to process the increase in grants.

Mr. Skip Miller of the Aviation Association of Indiana testified that AIR-21 is an attempt to correct a capital investment problem. The federal government has not added staff so the additional administrative work will be done by state governments or the airports.

E. Hiring Practices, Salary Structure, and Other Employment Practices of State Agencies

Ms. Sue Roberson, Director of the State Personnel Department, described the characteristics of state's workforce. The state currently employees about 35,464 people. Turnover is currently low for the state at about 12%, but in 5 years about 34% of current employees will be eligible for retirement.

Ms. Roberson described the state's current overtime policy.

Mr. David Larson of the Indiana State Employees Association testified that the state has provided decent wage and salary increases the last few years, but that there were a couple of years in the early 1990s when no increases were given.

Mr. Bob Brown of the American Federation of State and Municipal Employees testified that changes in compensation should be discussed at the bargaining table.

Mr. Al Marshal of the State Board of Accounts Employee Association expressed his association's concern about the difference in pay between State Board of Account

auditors and Department of Financial Institutions auditors.

Mr. Dan Novreske, Deputy Director of the State Budget Agency, described a possible use of vacation and sick days to fund a 401(a) qualified plan. The current value of accumulated vacation and sick days is about \$177 million.

Ms. Tracy Austin, former employee of the Department of Correction, described the events leading to her suspension from her job at a correctional facility.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made the following findings of fact:

A. Continuing Education for Occupations and Professions Regulated by the Professional Licensing Agency

The Committee finds that the continuing education requirements provided in the Indiana Code for the six professions regulated by the Professional Licensing Agency appear to be supported by the professions, that continuing education is useful for maintaining professional standards, and that no profession supported an increase or decrease in the number of hours required.

B. Continuing Education through Distance Learning

The Committee finds that the Professional Licensing Agency is actively supporting the development of distance learning opportunities in the state of Indiana.

C. Predatory Lending

The committee finds that predatory lending occurs in the State of Indiana, that the extent of predatory lending is uncertain, that it is rarely prosecuted, that it is difficult to define, and may be regulated by the Secretary of State, the Attorney General, the Professional Licensing Agency, the Department of Insurance, and the Department of Financial Institutions.

D. Impact of the Federal AIR21act on Indiana Airports

The committee finds that the Wendell H. Ford Aviation Investment and Reform Act of the 21st Century(AIR21) will provide Indiana airports with a significant increase in funding.

E. Hiring Practices, Salary Structure, and Other Employment Practices of State Agencies

The committee finds that while the concept of using accumulated vacation and sick days to fund a 401(a) qualified plan is interesting, the Committee does not have

sufficient time to develop legislation. Another committee maybe reviewing the matter as well.

The Committee made the following recommendations:

1. The Committee voted eight to zero to pass a resolution urging the Indiana General Assembly to commit additional resources, both human and financial, to enable the state of Indiana to make the best use of the benefits provided by the Wendell H. Ford Aviation Investment and Reform Act of the 21st Century(AIR21).
2. The Committee voted seven to zero to recommend PD 3486 to the General Assembly. This draft allows up to 50% of continuing education credits for those professions regulated by the Professional Licensing Agency to be earned by distance learning.
3. The Committee voted seven to zero to recommend PD 3476 to the General Assembly. The draft would established a Mortgage Fraud Unit within the Attorney General's Office.

WITNESS LIST

Kim Tarnacki, Indiana Professional Licensing Agency
Jerry Quigley, Indiana Professional Licensing Agency
Gary Bolinger, Indiana Certified Public Accountant Society
Candy Knight, Indiana Cosmetology Association
Karl Berron, Indiana Association of Realtors
Tom Fruechtenicht, Indiana Funeral Directors Association
Brian Vaughan, Indiana Funeral Directors Association
Bob Adams, Indiana Auctioneer's Association
Senator Steven Johnson
Maria Muia, Indiana Department of Transportation
Bill Blake, Aircraft Owners' and Pilots' Association
Skip Muller, Aviation Association of Indiana
Kathy Muller, HOPE Homeownership Center
Lu Porter, Best Practices Committee of Evansville
Mark Raitman, Real Estate Appraiser
Fred Garver, Indiana Association of Mortgage Brokers
Charles McLean, Indiana Association of Mortgage Brokers
Steve Johnson, Prosecuting Attorney's Council
Gregory Thomas, State Attorney General's Office
Sue Roberson, State Personnel Department
Keith Beasley, State Personnel Department
David R Larson, Indiana State Employees Association
Tim Dinwiddie, Indiana Mortgage Bankers Association
Al Marshal, State Board of Accounts Employee Association
Bob Brown, American Federation of State and Municipal Employees
Carolyn Elliott, Funeral Directors Association
Ron Wuensch, Indiana Optometric Association